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**NAVAL AIR STATION CUBI POINT: A "HOT TURNOVER"?
A MANAGEMENT CASE STUDY**

by

LT Kathleen M. Steckler, USN

September, 1993

**Principle Advisor:
Associate Advisor:**

**Professor Kenneth J. Euske
Professor Sterling Sessions**

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A "HOT TURNOVER"?
A MANAGEMENT CASE STUDY

by

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Lieutenant, United States Navy
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Submitted in partial fulfillment
of the requirements for the degree of

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This thesis could be used as a complementary case to the case study entitled "U.S. Naval Complex at Subic Bay", by LT Larry J. Steckler, January 1993, to provide a follow-on Navy example of a management case study for use at the graduate teaching level. While the former case provides a general overview of the entire United States withdrawal effort and subsequent closure of the United States Naval Complex at Subic Bay, Republic of the Philippines, this case focuses on the withdrawal evolution in a narrower perspective, specifically the unique "Hot Turnover" of Naval Air Station Cubi Point, with a myriad of strategic planning problems and emerging management control systems. The intent of this case is to continue the analysis of the planning and controls to encompass the politically sensitive "Hot Turnover" issue, and complete the entire withdrawal process within the constraints of the partially executed Subic Bay withdrawal effort.

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I. INTRODUCTION

This thesis discusses the strategic and ensuing management control systems implemented by Commander-in-Chief United States Pacific Fleet (CINCPACFLT)¹ during the United States forces withdrawal from the United States Naval Complex at Subic Bay, Republic of the Philippines. Specifically, it addresses a major and unforeseen evolution which developed during the base closure process and partially executed withdrawal plan: the Government of the Philippine's unexpected request for a "hot turnover"² of Naval Air Station (NAS) Cubi Point.

This chapter provides an overview of the base closing scenario and describes the perspective from which the case is written. The second chapter provides a teaching note as an aid to the instructor in facilitating the case study in a classroom environment. The third and final chapter provides the management case study complimentary to a previous case study entitled: "U.S. Naval Complex at Subic Bay", by LT Larry J. Steckler, January 1992. While the former case provides an overall "vision" of the entire withdrawal evolution as seen

¹CINCPACFLT, a U.S. Navy headquarters staff command, was the executive agent for the withdrawal and closure of the Naval complex at Subic Bay.

²"Hot turnover" is a phrase used in this context to denote a "completely operational" airfield, with all necessary equipment intact and functioning properly.

through the eyes of CINCPACFLT staff, this case focuses on the withdrawal process in a narrower perspective, specifically the "hot turnover" issue.

This case is written from the perspective of Captain Gary Ikuma, the Fleet Aviation Material Readiness Officer at CINCPACFLT headquarters. CAPT Ikuma was the "technical expert" who played a major role in coordinating the withdrawal from and ultimately the "hot turnover" of NAS Cubi Point. It is through CAPT Ikuma's eyes that the reader can fully sense the frustration and anxiety evolving from this time-critical and highly political situation, and can fully realize the management control systems effected by CINCPACFLT and Commander, United States Naval Forces Philippines (COMUSNAVPHIL) staffs to smoothly execute the "hot turnover" of NAS Cubi Point.

For the United States Pacific Fleet, January 1992 proved to be an extraordinary month which commenced an intensive 11-month withdrawal process of the United States forces from the Subic Bay Naval Complex. This massive withdrawal effort was a result of the Philippine Senate rejection of the Foreign Bases Treaty Agreement (see Appendix A for overview of events leading up to the Subic Bay closure and United States forces withdrawal). Included in this overall withdrawal plan from Subic Bay Naval Station were facilities and personnel located at NAS Cubi Point. This case study sets the scenario for all the events leading up to and finalizing with the "hot

turnover," providing discussion on the strategy and ensuing management control systems developed when the concept of "hot turnover" became reality.

II. NAS CUBI POINT: A "HOT TURNOVER"? A MANAGEMENT CASE STUDY

Captain (CAPT) Gary Ikuma, the Fleet Aviation Material Readiness Officer at Commander-in-Chief United States Pacific Fleet (CINCPACFLT)³ headquarters in Pearl Harbor, Hawaii, smiled as he reflected contentedly over the sequence of events played out over the past 11 months. The day was 24 November 1992, marking the climactic finale of the successful "Hot Turnover"⁴ of Naval Air Station Cubi Point to the Government of the Philippines, as the last of United States forces withdrew from the United States Naval Base at Subic Bay, Republic of the Philippines. (Appendix A is an overview of the terminated 1988 Military Bases Agreement and events leading up to the Subic Bay closure and United States forces withdrawal.)

CAPT Ikuma realized that certain highlights would be forever implanted in his memory, such as the Philippine government's "equipment" request for dogs and horses and a Leroy lettering set... or the prospect of Admiral (ADM) Robert

³CINCPACFLT, a U.S. Navy headquarters staff command, was the executive agent for the withdrawal and closure of the Naval complex at Subic Bay; while CINCPACFLT was also the title for ADM Kelly, it is used in the case study to refer to the headquarters staff only and not ADM Kelly.

⁴"Hot Turnover" is a phrase used in this context to denote a "completely operational" airfield, with all necessary equipment intact and functioning properly.

J. Kelly, Commander-in-Chief United States Pacific Fleet, trying to disembark his plane during the closing ceremonial visit without the Philippine government's foresight to keep the stairtruck⁵ as a "required" item.

As he sat in his office reminiscing, CAPT Ikuma drew out his pen and began to tackle his next objective: outline a "lessons learned" packet to brief ADM Kelly. CAPT Ikuma thus pondered over what could he have done differently. What management controls were successfully executed? What could be improved upon to provide a more fluid turnover for future base closures? Deep in thought and pen poised, CAPT Ikuma recalled the entire evolution.

THE BASE

Naval Air Station (NAS) Cubi Point was located at the Subic Bay Naval complex, on the west coast of Luzon Island, Republic of the Philippines. Subic Bay is situated in the Zambales Province of Luzon Island, 80 kilometers west by northwest of Manila, and is separated from that city by both Manila Bay and the Bataan Peninsula. NAS Cubi Point comprised one of six major activities located within the United States Naval Facility Subic Bay. (NAS Cubi Point Equipment Transition Plan, 1992, p. II-1) (Its location is shown in Exhibits 1 and 2.)

⁵Stairtruck: a mobile ladder designed to enable personnel to disembark an aircraft.

THE EVOLUTION BEGINS

One of the largest withdrawal issues addressed between the United States and Philippine governments, was the "hot turnover" of NAS Cubi Point in an operational, Instrument Flight Rules status to the Government of the Philippines (GOP). CAPT Ikuma recalled the week in early February when the "hot turnover" issue emerged in the midst of the partially executed United States forces withdrawal plan. Two months after the withdrawal directive was issued in January, GOP officials expressed an interest in receiving NAS Cubi Point as an "operational" airfield. Consequently, Admiral Kelly tasked CAPT Ikuma in February to oversee the "hot turnover" and "make it happen."

POLITICAL TURMOIL

CAPT Ikuma, informally dubbed CINCPACFLT's "Mr. Cubi Point" because of his specific expertise on air traffic control, airfield operations and maintenance efforts at Cubi Point, worked closely with Rear Admiral (RADM) Thomas Mercer, Commander, United States Naval Forces Philippines (COMUSNAVPHIL) and his staff because of the difficult political situation in the Philippines. Political disarray was a major concern even before the Foreign Bases Treaty Agreement had been rejected by the Philippine Senate in December 1991. RADM Mercer, as the base commander was a key on-scene player during the entire base closing process and described the political situation as such:

The Filipinos couldn't have picked a worse time "politically" to ask the United States military to leave the country. The Philippines was conducting its first free and open election since 1965 and virtually every elective office in the country was up for re-election. The result was a government paralyzed at a time when important decisions were required to coordinate with the United States Navy the transition and conversion of the giant Subic Naval complex. Adding to the political turmoil were the tremendous political pressures brought to bear on President Aquino by the political power barons in Manila, who despised and feared the young, charismatic Richard Gordon, Mayor of Olongapo, and initially blocked his Presidential appointment to the Chairmanship. Valuable time for planning for the transition and conversion of Subic, not to mention equipment and material that might have been "diplomatically left in place" had there been consensus on the Filipino side, was needlessly squandered. (Mercer, 1993a, pp. 18-19)

RADM Mercer recalled that the disarray of the GOP had actually been a characteristic common to the previous 1991 closure of Clark Air Force Base, also in the Philippines. However, the United States Air Force had been able to neutralize problems created by the political disarray and uncertainty by telling the Philippine government they intended to turn Clark over to Philippine Air Force officials and proceeded with this approach despite the protestations of government officials in Manila. RADM Mercer elaborated:

Their selection of a "single point of contact" worked well for the U.S. Air Force, but jeopardized the goodwill of the Aquino Administration when the U.S. Navy began the process to close Subic. Still chafing from the Clark turnover, Manila informed the U.S. Embassy the U.S. Navy would deal with officials identified by President Aquino and no others. Her ineptness at appointing a coalition government spokesperson set off a power struggle within the Philippine political system that lost valuable time for the Philippine government to get a transition plan in place. (Mercer, 1993a, p. 12)

THE "TROIKA" POWER STRUGGLE

CAPT Ikuma coped with the power struggle to which RADM Mercer referred. Sifting through the deluge of message traffic on the subject, he found that the Philippine players competing for control of the conversion of Subic Bay (including NAS Cubi Point,) were Olongapo Mayor Richard Gordon, Armed Forces of the Philippines (AFP) Chief of Staff General Lisandro Abadia, and newly appointed Bases Conversion Task Force Director Alejandro Melchor. In March, President Aquino finally took action by creating a law establishing the conversion of former United States bases in the Philippines to commercial use. The Bases Conversion Development Authority, headed by Mr. Melchor, would have broad powers for the conversion process. The Subic Bay Metropolitan Authority, headed by Mayor Gordon, would oversee the conversion of the bases at Subic Bay, to be transformed into a free port. This new port would be used to attempt to minimize government regulations and oversight by relaxing customs/currency/visa requirements. Tension developed between Melchor and Gordon, as both organizations' leaders had opposing designs for the facilities and equipment at Subic Bay.

Meanwhile, outside the GOP "Melchor-Gordon battlefield," AFP General Abadia had also staked a claim for use of Cubi Point. CAPT Ikuma found the situation confusing and unsettling as GOP leaders' wants and desires appeared to be directionless with no one power in control of the GOP to

articulate their country's strategy or yet to be developed plan.

To further complicate matters, each adversary sought the support of the United States to enhance their position in the political arena. Olongapo Mayor Gordon wanted NO Armed Forces of the Philippines (AFP) present in Subic after the United States departs. He was convinced that any military presence would detract from the appeal of the facility to commercial investors, thus aborting commercial development of the facility.

Conversely, AFP General Abadia wanted NAS Cubi Point to become a major AFP base; he clearly saw the potential gains for the AFP in establishing a major presence there. His intent was to establish an air base wing commanded by a flag officer at Cubi Point, with or without aircraft. He strongly supported a \$4.8 million US Foreign Military Sales⁶ purchase of aerodrome equipment, spares and training. Regardless of whether the Philippine Air Force would be permitted to base aircraft at Cubi Point after United States forces withdrawal, General Abadia was committed to ensuring there be a major AFP presence at that installation.

Mr. Melchor, who opposed Mayor Gordon's development concept, backed the AFP yet clearly had different ideas than

⁶Foreign Military Sales (FMS) cases were established to enable the AFP to purchase non-excess equipment using FMS financial credits.

the AFP about the eventual development of Subic. He envisioned commercial development as a primary goal, putting AFP use of Cubi Point as a "fall back" position with the Philippine Air Force as a tenant of a primarily commercial airfield. Additionally, Melchor strongly pushed for a delay in the United States withdrawal process, allowing more time for the commercialization and privatization of Subic. Claiming such a delay would be possible under the Philippine constitution, Melchor pushed for "special deals" between the United States Navy and U.S. businessmen.

Clearly, the United States was caught in the middle of this "troika" power struggle to control the conversion of Subic and disagreements over its ultimate status as a civilian, military or joint airfield. There was a major dilemma over with whom to coordinate, at least until the presidential elections were over in August, while remaining steadfast on the position of conducting the withdrawal on the one-year timeline as previously agreed upon by the two governments.

There was also the very real potential for Mayor Gordon to be appointed as Subic Bay Metropolitan Authority (SBMA) chief in the next administration. Gordon's adamant stance on eliminating AFP presence in Subic would run counter to United States legal requirements for a "military presence" when transferring excess material under Section 519 of the Foreign Assistance Act. With this in mind, CAPT Ikuma needed to

acquaint himself with the myriad of logistic issues he would soon encounter in the disposition and transfer of excess material.

LOGISTICS

A meeting with the CINCPACFLT Logistics Program Officer, Lieutenant Colonel (LCOL) Hudak, proved to be very enlightening. LCOL Hudak, heavily involved in the logistical planning for the withdrawal, provided CAPT Ikuma with insight on managing the enormous logistics workload, perhaps the most critical aspect of achieving a successful withdrawal on schedule.

As soon as the withdrawal order was given, CINCPACFLT staff members, traveled to Subic Bay to assist in the development of a cargo identification and shipping plan using the existing Time Phased Force Deployment Directive (TPFDD) process. This TPFDD was managed, updated and maintained by the "logistics planning cell" to ensure continuous adherence to the established timeline for cargo pickup, availability of transportation assets for shipping, and excess property turn-in to the Defense Reutilization and Marketing Office (DRMO). Major logistics concerns throughout the process included:

1. A mandate for absolute accountability of all U. S. assets during the movement, packing, crating, shipping and excessing. This requirement included the need for enhanced security of pilferable assets during periods of unprecedented upheaval.
2. Short and long term scheduling of surface and air transportation for 450,000 tons of cargo, 10,000 personnel and several hundred pets.
3. Identification, packaging and shipping of 1.5 million pounds of hazardous wastes for proper disposal in the Continental United States.
4. Timely disposal of all Excess Defense Articles in accordance with United States laws, treaties and foreign agreements to include 519 material turnover to the Armed

Forces of the Philippines and sales to the Philippine Government. (CINCPACFLT, 1993, p. 10)

Excess Defense Articles

The disposition of United States Excess Defense Articles (EDA) at Cubi Point was paramount to the negotiations conducted between the United States and the GOP. First and foremost, ADM Kelly needed to agree with GOP politicians on what was defined as removable or non-removable. Obviously, buildings and infrastructure, such as the runway, were defined as non-removable; but there were also many entities such as radar towers and the bowling alley that were a source of contention. Once these issues were ironed out, ADM Kelly next had to decide on the removable property which was actually essential or cost effective to remove. The one-year time limit to complete the withdrawal compounded by the additional limitations of Department of Defense funding and available transportation, all served to impact the decisions made on what the United States would ship from the Philippines and what would remain. Once decisions were made on the removable property to be shipped, proper disposition of all remaining property needed to be accomplished.

In April, CAPT Ikuma arranged a meeting with Commander (CDR) Luzynski, the CINCPACFLT subject expert on Foreign Military Sales (FMS), to get briefed on the status of the disposition of United States property.

The removable property determined to be in excess of United States Navy or DOD needs was turned over to Defense Reutilization and Marketing Office (DRMO), the disposal agent for all removable property not being shipped; the disposal sequence was prioritized as follows:

1. Reutilization by DOD customers.
2. Transfer to United States federal agencies for use outside the Philippines.
3. Transfer to United States federal agencies for use within the Philippines. (Ikuma, 1993)

If none of the above agencies claimed the EDA turned into DRMO, the excess property would then be disposed of in two ways. First, EDA was offered for transfer to the AFP under **Section 519 of the Foreign Assistance Act**, which permitted the free transfer of excess non-lethal defense articles to the armed forces of friendly foreign governments to help modernize their defense capabilities.

The second method to dispose of excess material was its sale to the GOP under **"Right of First Option to Acquire."** As defined in the Schultz/Manglapus 1988 Memorandum Of Agreement on United States military facilities in the Philippines, any excess removable property turned down by the AFP was subsequently offered to the Philippine government at a greatly reduced cost prior to its sale in the Philippines to the general public.

CDR Luzynski briefed CAPT Ikuma on the sequence of events thus far:

In early April, the United States State Department, citing a longstanding relationship with the Philippines as codified by the Mutual Defense Treaty, instructed the American Embassy in Manila to be as forthcoming as possible with respect to transfer of articles under Section 519 to the Armed Forces of the Philippines (AFP). Later on that same month, the American embassy delivered a diplomatic notice advising GOP officials of rights to obtain outright title to excess equipment valued at approximately \$34 Million US for \$4.1 Million US or to permit the AFP to acquire the material for use under Section 519. Material not selected by the AFP would then be offered for sale to the Subic Bay Metropolitan Authority. (Steckler, L., 1992, pp. 15-16)

Capt Ikuma reviewed the diplomatic note sent via the American Embassy in Manila, as approved by the Secretary of State, Washington D.C., to the Philippine government. The note informed the GOP that the United States government would turn over a list of excess military property available for disposition in the Philippines prior to 1 May and emphasized that GOP officials exercise their "Right of First Option to Acquire" this property in as expeditious a manner as possible. Any other Philippine government recipients may then be eligible to purchase such items of the excess property which are appropriate for sale for non-military use to civilian governmental entities at costs calculated under U.S. guidelines. The AFP is the only element of the Philippine government to which excess defense articles may be transferred at no cost. (Ikuma, 1993)

As CAPT Ikuma pondered over the GOP's response to the EDA legal provisions required in the "hot turnover" process, it became apparent that Mayor Gordon wanted "everything for

nothing". After all, why should they have to "buy" United States excess material, even if at a reduced cost when the AFP could get the material transferred free of charge through Section 519. CAPT Ikuma realized there existed the possibility that the AFP could actually get the material for free and then turn it over to the GOP after the 24th. How would or could ADM Kelly protect CINCPACFLT assets from this type of deception?

Another point of dismay from ADM Kelly's perspective dealt with the disposal of non-excess material. The United States Navy was not getting reimbursed for the non-excess material it sold to the GOP through the FMS Program. All of this came "out of pocket" for the United States Navy since it was CINCPACFLT property. The FMS property sold to the GOP at a reduced cost was not excess to CINCPACFLT's needs, and consequently CINCPACFLT was forced to turn around and replace this equipment at the higher wholesale cost to restock their inventory.

As negotiations on the disposition of Excess Defense Articles continued between representatives of CINCPACFLT, COMUSNAVPHIL, the American Embassy Manila and the GOP, Congress was influencing the turnover process by exercising its oversight powers. Members of Congress couldn't understand why the GOP was getting priority for United States property obtained via United States taxpayer dollars, as Congressional constituents had other uses for much of the excess material at

Subic Bay. CINCPACFLT was tasked with researching answers to these concerns, a setback which could delay the timetable for turnover. CAPT Ikuma perused the memo from Vanessa D. Allen, Congressional Relations for the Defense Security Assistance Agency (DSAA), to General Allen, Director DSAA, dated 29 May 1992:

...Congressional concerns center on two broad themes: (1) general disillusionment with the Philippines due to the loss of U.S. base right and earlier incidents of looting by Filipinos [after the closure of Clark Air Force Base] and (2) Congressional sentiments that States ought to have a higher priority in receiving EDA than foreign governments.

Many members believe that items previously transferred as EDA have fallen into the hands of looters. Therefore, the HASC [House Armed Services Committee] is proposing that DOD provide certification to Congress that items in this notification have actually been received by the Philippine government and audited accordingly. DSAA should receive a letter requesting this certification on Monday, 1 June. This letter may avert an attempt to put this notification on "hold."

As you know, Rep Kanjorski plans to submit an amendment to the Defense Authorization Bill (General debate may begin Tuesday) which would give the States a higher priority for receiving certain excess items and force DOD to pay for transporting those items to the States. Because this notification shows items such as hardware items, trucks, vans, trailers, forklifts, etc., some members are using this as an example of a case in which States should have priority over foreign governments.

The staff had several detailed questions on EDA valuation procedures which I will pass to the Navy Congressional Liaison office. I will keep you informed as this issue develops. (Allen, 1992)

CAPT Ikuma reviewed the withdrawal timetable, fully aware that holding up the Article 519 transfer authorization for Congress to deliberate could very well jeopardize the transfer of EDA to the Armed Forces of the Philippines and ultimately

risk abandonment of the material. If CINCPACFLT held the material for 30-days pending a more extensive Congressional review, and the 519 EDA transfer was subsequently disapproved, CINCPACFLT would have to process the material for sale through DRMO; however, because the withdrawal timetable required DRMO sales to resume no later than 1 June and the 30-day Congressional delay would push them into July, it was unlikely that CINCPACFLT could even process the material for sale through DRMO.

SPECIFICITY AN ISSUE

Compounding the state of confusion over legal ramifications, GOP politicians' desires, U.S. Navy requirements, and Congress' whims was that the GOP leaders had still not identified the specific equipment they desired (e.g., Navigational Aids (NAVAIDS), radars, support equipment), nor had training requirements been made known. In its state of political turmoil and dissention between Mayor Gordon and AFP General Abadia over the ultimate status of the airfield, little or no direction was given in implementing GOP desires. GOP/AFP leaders provided little information to plan the equipment transfers, relying on United States Navy staff officers to define plan requirements. In fact, the entire "hot turnover" issue was driven primarily not by GOP officials but by the American Embassy staff, based on their apparent belief that the "hot turnover" would establish a better post withdrawal relationship with the Philippine government.

TIME FOR ACTION

Understandably, CAPT Ikuma found the current situation extremely frustrating as GOP leaders not only had trouble communicating among themselves, but they were equally lax in expressing their intentions and desires to United States government officials. The GOP's lack of specificity was an ongoing concern to CAPT Ikuma, an indication that GOP officials were obviously confused on what equipment was essential to maintain Cubi Point in an operational capacity.

CAPT Ikuma calculated the milestone date for identifying any hot turnover requirements to be 1 June 1992. After that date, major equipment for airfield operations would begin to be shipped out in accordance with the Time Phased Force Deployment Database (TPFDD). Furthermore, the bulk of Permanent Change of Station moves of airfield operations and support personnel would also be executed by 1 June. This would directly impact the ability to train Filipinos on the operation and maintenance of equipment left behind to support the airfield. Most air traffic control equipment would be disassembled, packed, and shipped after 1 October 1992. Delayed decisions on any "hot turnover" issues which took place after 1 June, would result in less equipment and training opportunities available for the new operators of the base.

"WARM TURNOVER"??⁷

CAPT Ikuma realized the potential hazards of any delay to the turnover schedule and effected some management controls to stimulate the process. Realizing the misdirection and lack of communication within the Philippine military and political structures, CAPT Ikuma drafted three sets of proposals to guide GOP officials in their efforts to formulate a decision on what U.S. Navy equipment they should purchase with FMS dollars. The proposals ranged from a full-blown operational airfield as it existed prior to any withdrawal efforts, to a bare minimum IFR airfield. In early March, CAPT Ikuma presented his options in a brief to ADM Kelly, while informally predicting the final outcome: GOP officials would opt for the bare minimum IFR airfield.

More specifically, the options were as follows:

A. **FULL IFR CAPABILITY.** Essentially the current status: radars, NAVAIDS, communication, weather, maintenance/support equipment.

B. **REDUCED IFR CAPABILITY.** Approach radar. NAVAIDS, communication, weather/Precision Approach Radar (PAR).

C. **BASIC IFR CAPABILITY.** Tactical Aid to Navigation (TACAN), Non-Directional Beacon (NDB), communication, weather

⁷"Warm turnover" was a new phrase coined by the staff of the American Embassy Manila after the GOP opted for the basic IFR airfield and its usefulness as a "fully operational" airfield became questionable.

measuring equipment, limited airfield operations/maintenance equipment. No radars. (Ikuma, 1992a, p. 2)

It was obvious to CAPT Ikuma that the GOP politicians did not know what they wanted or needed to maintain Cubi Point in an operational status. Mayor Gordon and General Abadia could not even agree between themselves whether it was to be used for military or commercial purposes, or even jointly. At this early stage, the GOP leaders only knew they wanted Cubi Point turned over in an operational capacity, and wanted to get by with paying the least amount of dollars. As an example of their confusion, when asked to put forth a list of what they wanted, the GOP lists contained numerous items unrelated to the airfield such as bulldozers, jack hammers... and even dogs and horses! The GOP suggestion list was quickly disregarded and CAPT Ikuma's "three-phased" version came into play.

It was at this point that CAPT Ikuma questioned the definition of "operational," for the airfield the GOP desired was certainly not operational by United States standards. Thus, the term "warm turnover" was introduced.

AFFORDABILITY AN ISSUE

July brought some new revelations. It had become quite clear to all involved that while purchasing airfield equipment at Cubi Point was certainly desirable for the GOP, long-run affordability was not as clear. GOP officials were voicing second thoughts on the viability of a "hot" (or even "warm") turnover. In conversation with RADM Mercer, Philippine

Secretary of Defense DeVilla indicated that future operability of the airfield required funds that were in competition with higher priorities in the AFP's modernization plan.⁸ Even if FMS levels supported the purchase of airfield equipment, should GOP politicians decide they could not afford future operations at Cubi Point, the "hot turnover" could become a non-issue, thus aborting the entire plan... a very real contingency United States officials needed to plan for.

Still pursuing the "hot turnover" concept, USCINCPAC and AFP staffs devised plans that outlined the costs involved. The USCINCPAC Plan, based on CAPT Ikuma's three options, was condensed to the basic IFR airfield with no radars and had a price tag of \$4.9 million US. The AFP Plan included all the equipment in the USCINCPAC Plan plus two major additions: the ASR-8 radar (\$7.9 million US) and the Precision Approach Radar⁹ (\$5.1 million US). (See Appendix B for discussion/comparison of radars).

GOP leaders eventually came to terms with the fact that they simply did not have enough money for an FMS purchase of \$15 million US, the recommended FMS sale to include the ASR radar which they desperately wanted. Even so, the merits of

⁸Following his 30 June inauguration, President Ramos promised to modernize the Philippine Air Force and air defense capability by the end of his six year term.

⁹The PAR was deleted from the AFP Plan by U.S. officials as "Not for Sale" based on it required intensive training and consequently a safety concern if not properly maintained and operated by the AFP.

a radar environment made it worthy of very serious consideration, since this would keep future access for the United States a viable option. Without a radar system, Cubi airfield would be essentially reduced to daylight and fairweather visual flying rules operations only; given the mountainous terrain in the Cubi vicinity, potential future use by United States aircraft would be minimized since safety would be a major concern.

In an attempt to reduce costs of obtaining airfield equipment, AFP General Abadia nonetheless considered dropping the ASR radar from the package and substituting an alternative radar, the Instrument Landing System (ILS) (see Appendix B). The ILS is used by the United States Air Force and commercial aircraft. Since the Navy did not have ILS at Cubi Point and therefore could not provide it under the 519 Program, the AFP would possibly procure it through United States aid or commercially.

NOT THERE YET

The withdrawal was well into July, yet the "hot turnover" continued to encounter snags. The crucial issue addressed was training and the fate of the airfield once turned over to the GOP. It was quite evident that Philippine Air Force (PAF) personnel were not yet qualified nor ready to operate the airfield equipment. The unavailability of trained personnel to run an operational airfield after turnover could jeopardize the "hot turnover" plan, making all efforts by both countries

for naught; the United States might just as well have closed the base down.

CAPT Ikuma recalled earlier message traffic that reflected sentiments by Ambassador Frank Wisner, the American Ambassador to the Philippines, that a "hot turnover" with AFP presence at Cubi Point would allow the AFP to keep control of the Cubi training areas. Should the United States decide in the future to request access to the Philippines for transit and training, the existence of an adequately equipped airport with an inherent military influence at Cubi would enhance the chances of success. (Ikuma, 1993) ADM Larson, United States Commander-in-Chief of the Pacific (USCINCPAC), as senior military officer in charge of the Pacific Region, supported this initiative in a meeting with President Aquino in May when he described the Cubi Air Station as "the centerpiece of the future cooperative arrangements between the United States and the Philippines." (Ikuma, 1993) (See Exhibit 3 for organization chart.)

Until a formal decision was made by the newly confirmed GOP representative, Mayor Gordon, to proceed with a "hot turnover" and specifying exactly what equipment the GOP would purchase, the required training was put on hold. Up until this point, all discussions of a "hot turnover" had been informally negotiated with no formal request submitted by Mayor Gordon. Inherent in this situation was a catch-22: Technically, according to Foreign Military Sales (FMS) rules,

no training could be provided until an FMS case was developed and approved (i.e., FMS work needed to be charged to an FMS account). While time was being expended to develop the FMS case, pending a formal request by Mayor Gordon, the bulk of United States enlisted and civilian personnel (those people with the expertise at Cubi Point who would conduct the training), were being transferred out. Additionally, the Filipinos on-base who had the expertise to operate various facilities were disappearing as these individuals were being laid off. Valuable time and resources were slipping away.

At the end of July a Program Definition Conference was held at NAS Cubi Point in response to these concerns. Headed by CAPT Wayne Moni, Naval Air Systems Command FMS, CAPT Bruce Wood, Commanding Officer of NAS Cubi Point and General Estrellado of the Philippine Air Force, implementers from both countries discussed requirements to support the "hot turnover." The objectives of the Program Definition Conference were:

- a. Finalize equipment to be sold to the PAF via an FMS case. This involved reviewing the initial equipment list, verifying the essentiality of each item and the necessary identifying information, and determining if any additional items should be added.
- b. Determine the proper selling price for each item consistent with prevailing FMS rules and guidelines.
- c. Compute the initial spare parts list required for support of the equipment being sold under FMS.
- d. Identify training required to enable PAF personnel to operate the air station.

- e. Determine the extent of technical assistance and its duration necessary to ensure a smooth transition. (NAS Cubi Point Equipment Transition Plan, 1992, p. III-1)

The ensuing Equipment Transition Plan from the conference identified a program consisting of six FMS cases involving equipment (e.g., air traffic control, emergency vehicles, aircraft handling equipment), initial spare parts, training, replenishment spare parts, technical assistance and repair services. The plan also outlined an ambitious timeline to establish transfer of the material through the FMS cases. Completion was scheduled for 15 September 1992, providing sufficient time for the United States Navy to dismantle and remove any items the PAF chose not to buy.

A Program Definition Conference Training Group was established to develop a program to sufficiently train PAF personnel on equipment operation and maintenance procedures. The training addressed equipment to be sold through an FMS case, as well as equipment to be transferred via Section 519 of the Foreign Assistance Act.

The training group prepared formal training requirements for all the preliminary equipment and Section 519 list items. Discussions were held with PAF counterparts on prior schooling, skill levels and qualifications of PAF technicians scheduled for assignment to NAS Cubi Point. Skill levels of PAF personnel had to be determined before a reasonable assessment could be made by United States Navy planners as to

the extent of training which could be completed given the diminishing availability of United States personnel to conduct the training prior to turnover.

Training requirements were divided among five basic equipment categories: Air Traffic control, Emergency Equipment, Operational Equipment, Auxiliary Equipment and Air Freight Equipment. Should students require Special English Terminology and Navy school training in addition to the Tactical Aid to Navigation course, their training curriculum could take approximately 45 weeks to complete. If the students had an acceptable command of the English language and did not require the Navy school, the curriculum shrank to five weeks in duration.

CAPT Ikuma was reassured with the one advantage he saw the GOP had in its favor: PAF air traffic controllers were already trained and certified to Philippine Air Traffic Office (PATO) standards, and as a group should easily fit inside training and withdrawal constraints. These PAF personnel should only require informal On-the-Job-Training to be familiarized with the NAS Cubi Point tower equipment and local operating procedures.

The jointly developed training program was signed by General Abadia and RADM Mercer, as a component of the Equipment Transition Plan developed at the Program Definition Conference. The training program incorporated three major

areas: On-the-Job-Training (OJT), formal classroom training and Mobile Training Team (MTT) assistance.

a. OJT. Involved training conducted on equipment at NAS Cubi Point prior to turnover by Navy personnel already operating the equipment; Navy instructors or contractors would conduct the OJT program after turnover.

b. Formal Classroom Training. Provided the prerequisite training necessary for operating and maintaining the equipment. Classroom training would be accomplished in the United States. Experience, education, English language training, and "background" specialty training were all factors taken into account in developing the curriculum.

c. Mobile Training Team (MTT). The MTT was a group of qualified instructors dispatched to the FMS customer's operational or training site for purposes of providing in-country classroom and field training. Training was interactive and usually performed with the customer's equipment. (NAS Cubi Point Equipment Transition Plan, 1992, p. VI-1)

All along ADM Kelly had been emphasizing the significance of 1 June being the "milestone date" for GOP officials to formalize their intentions. The intent had been to send PAF personnel to the United States' Navy school in Memphis, Tennessee for up to four months schooling. June had already come and gone, and it was July before a training plan had been initiated at the Program Definition Conference. Planning was

in full motion, yet implementation was at a standstill. Mayor Gordon still needed to decide what equipment to purchase, a requisite to formalize the "hot turnover" request and get the training

program rolling. A very real consequence could be a hurried OJT effort and ultimately no "hot turnover" after all; the "warm turnover" concept again surfaced with the real possibility of not adequately training PAF personnel to effectively operate the airfield.

LETTER OF INTENT

In early August, shortly after the Program Definition Conference, Mayor Gordon finally submitted the long-awaited request to procure equipment, spare parts and training from the United States Navy, and to assume operation of the airfield at Cubi Point. General Abadia and RADM Mercer signed a non-binding Letter of Intent for the AFP to purchase approximately \$4.8 million US of equipment: this included equipment (\$2.5 million US) and spare parts and training (\$2.3 million US). The ASR-8 surveillance radar, which would have added \$8-10 million US to the purchase price, was not included in the package.

The decision to prioritize purchases and not buy the radar underscored General Abadia's realization of just how limited his financial resources had become. Fiscal priorities in support of President Ramos' "modernization plan" drove Mayor Gordon's decision to opt for the bare minimum "basic IFR

capable" airfield, regardless of future safety considerations and its impact on possible renewed access by the United States.

The deletion of the ASR-8 from the FMS list, as well as any equipment not compatible with supporting basic operations, was driven by fiscal priority. Ironically, the passenger stair truck was also deleted, which later had "interesting" implications when, in preparation for the ADM Kelly's visit to Cubi Point for turnover ceremonies, makeshift stairs had to be constructed for the Admiral to disembark his plane!

LEGAL FMS ISSUES PERSIST

On 15 September, Commodore Delgado of the AFP Joint Staff, signed the Letter of Offer and Acceptance to purchase the various Cubi Point equipment as itemized in the Letter of Intent. RADM Mercer was concerned that the sales/purchases might be illegal, since Mayor Gordon intended minimal (or no) AFP presence at Subic/Cubi. AFP presence was a crucial issue, since without it the FMS sales could not legally take place. Terms of the FMS case required the "purchaser" (i.e., the AFP) to retain title and possession of the equipment; however, due to Mayor Gordon's political power, RADM Mercer feared the GOP would ultimately take possession of the FMS equipment, thereby invalidating the contract.

The controversial FMS sale of \$4.8 million US of non-excess airfield equipment, spares and training spilled into October. Even up until these last months, GOP, AFP and PAF

leaders were in major disagreement on the amount of Philippine military presence at Cubi Point. Mayor Gordon's joint civil-military use plan called for minimal presence of the 15th Strike Wing personnel at Cubi Point, while AFP General Abadia demanded a dominant strike wing presence. Concurrent with this disagreement, General Estrellado of the Philippine Air Force insisted the strike wing not move to Cubi unless minimum quality of life issues were met for PAF personnel.

The FMS cases would be canceled and the "hot turnover" would ultimately not take place unless the FMS cases were settled in favor of Philippine military presence. ADM Kelly was prepared to remove all non-excess equipment should this contingency transpire.

Mayor Gordon's assurance to comply with the purchase of airfield equipment needed to be finalized by 1 November in order that CAPT Ikuma have some leeway to plan for a non-operational turnover and the requisite removal of equipment previously sold under the Letter of Offer and Acceptance. A negative decision beyond this date would not permit packing, preservation, and removal of the TACAN and ancillary equipment by the projected withdrawal date on 24 November. This inability of GOP, AFP and PAF leaders to agree only highlighted the issue at stake: The future of Cubi Point airfield.

COMPROMISE REACHED

In November, a newly elected President Ramos stepped in with a compromise in response to the controversial FMS requirement to turn the base over to the Philippine military and the "in-house bickering" that ensued. A new PAF wing, called the "Air Service Support Group" wing was formulated; this small group of PAF personnel (approximately 425) would have minimal presence at the airfield to fulfil the FMS requirement. A plan was drafted to staff the new air support group at Cubi Point, to reach a total of approximately 200 PAF personnel by the turnover on 24 November.

Operational problems replaced legal issues during this last month. Continued maintenance for operations was required on the TACAN and antenna group equipment which supported aircraft navigation at NAS Cubi Point, and the new "Air Service Support Group" personnel were found to be unqualified (to United States standards) to keep the TACAN System and Antenna Group in an operational state.

In a joint agreement to support the Equipment Transition Plan, the United States would provide remote technical support for on-site monitoring and maintenance of this equipment for a predetermined period up to February 1994. This would allow PAF technicians to complete TACAN classroom training in the United States, including On-the-Job Training at Cubi Point. The PAF would furnish spare parts and maintenance materials on

site (as noted in the contract); all other equipment/material required would be provided via contractor.

THE 24th HOUR

Even up until the "24th hour," the NAVAIDS presented an unresolved problem. AFP/PAF/GOP leaders continued to be at odds over the equipment they wanted to retain. As late as 19 November, the Philippine Navy requested the United States Navy include the TACAN in the withdrawal plan of Cubi Point, saying they had no need for it. RADM Mercer obligingly responded by including this asset in the equipment to be removed from Cubi Point. At the last minute the TACAN was torn down and the deployment of the Contractor Engineering Technical Service representative who was to depart for the Philippines on 20 November, the following day, needed to be canceled. Yet the "24th hour" crisis-response effort lingered on, for the PAF stepped in querying as to why the TACAN was removed and that there was a need for this piece of equipment. The directive was issued by a then-bewildered RADM Mercer to just leave the TACAN in the hangar and the AFP could decide among themselves just what they wanted done with it. This scenario typified the level of communication that existed among GOP, AFP, and PAF leaders throughout the withdrawal effort.

On 24 November 1992, the United States forces withdrawal from the Republic of the Philippines was successfully completed. The unique "hot turnover" of NAS Cubi Point was equally successful, while its future remained unclear.

THE END OF AN ERA

CAPT Ikuma perused a message by CAPT Bruce Wood, Commanding Officer for NAS Cubi Point, which articulated the feelings of so many on the last day of operation for NAS Cubi Point under United States control:

With great sadness, I report the end of an unforgettable era in naval aviation. Naval Air Station Cubi Point has seen its last carrier break, touch and go, and final roll out. 36 years of service to the fleet has ended... The field is turned over and the bar is closed. However, the memories are rich and will live forever. (Wood, 1992)

CAPT Ikuma set down his pen and reviewed carefully his comprehensive list of "lessons learned." Satisfied that he had covered all bases in detail, he passed it to his yeoman to be typed for CAPT Ikuma's brief to ADM Kelly.

III. TEACHING NOTE

SCOPE

This case provides a Navy example of management controls used by Commander-in-Chief United States Pacific Fleet (CINCPACFLT)¹⁰ to smoothly execute a last minute major and unforeseen change to an already partially executed strategic plan. During the 1992 United States forces withdrawal from the United States Naval Complex at Subic Bay, Republic of the Philippines, the Philippine government requested the United States government turn over to them an airfield that would remain in an operational status at time of turnover. This event was subsequently labeled the "hot turnover"¹¹ of Naval Air Station (NAS) Cubi Point.

This unexpected request by the Government of the Philippines (GOP) during the partially executed withdrawal plan required increased effort in the area of strategic planning to incorporate this new development. Emerging logistical, financial and training problems required resolution to ensure the smooth turnover of NAS Cubi Point as

¹⁰CINCPACFLT, a U.S. Navy headquarters staff command, was the executive agent for the withdrawal and closure of the Naval complex at Subic Bay; while CINCPACFLT was also the title for ADM Kelly, it is used in the case study to refer to the headquarters staff only and not ADM Kelly.

¹¹"Hot turnover" is a phrase used in this context to denote a "completely operational" airfield, with all necessary equipment intact and functioning properly.

an operational airfield to the Philippines. New control systems would be required to manage the "hot turnover" in the months remaining to complete the withdrawal.

TEACHING THE CASE

This case could be used as a complementary case to the case study written by LT Larry Steckler, entitled, "U.S. Naval Complex at Subic Bay," January 1993. The former case studied the management control system used by CINCPACFLT staff to capture the overall "vision" of the withdrawal plan. The intent of this case is to pick up where the former case left off, the beginning of calendar year 1992, and focus on the management controls CINCPACFLT staff effected to respond to the unforeseen "hot turnover" request by the GOP.

Throughout the withdrawal effort and the "hot turnover" of NAS Cubi Point, the underlying concern revolved around: How could the United States government, and CINCPACFLT staff in particular, work within the highly structured environments of the United States and Philippine governments, to smoothly execute such a politically sensitive turnover, without violating any laws and at the same time conclude the turnover process in such a way that would establish a solid foundation for future relationships between the two countries?

Numerous laws and policy questions came into play in establishing turnover and disposal mechanisms for United States property to the Armed Forces of the Philippines and to the GOP. Specifically, these included Foreign Military Sales,

Section 519 of the Foreign Assistance Act, and Defense Reutilization and Marketing Region Pacific salvage procedures. Additionally, each month brought new issues with political ramifications which tested the management control system.

The United States government position on the withdrawal mandated the United States Navy leave the Philippines as friends of the Philippine government, military, and people. Accordingly, all levels in the United States Navy chain of command involved in the evolution needed to be aware of and responsible for dealing with politically sensitive problems in a manner that would accomplish that goal while complying with United States law and not jeopardizing the ability to complete the withdrawal as scheduled. Examples of these types of problems included terminating employment of 12,000 Philippine employees while relying on them to accomplish the physical workload associated with the withdrawal effort, protecting retirement and severance pay for the employees even though some members of Congress advocated not paying it, ensuring the Philippine government was given "First Right to Acquire" all declared Excess Defense Articles prior to public sale, and agreeing on the definition of removable and non-removable property.

The myriad of concerns faced by the major players planning the withdrawal are addressed in the case to allow students to focus on the issues faced by both the United States and Philippine governments, assess the situation and formulate

conclusions as to what management controls were exercised or could be further refined. Appendix A is provided to give students an overview of the events leading up to the Subic Bay closure and United States forces withdrawal.

A method to present this case is to allow students to role play as Captain (CAPT) Gary Ikuma, Fleet Aviation Material Readiness Officer at CINCPACFLT headquarters, a key player and a focal point in the case study, and draft a "lessons learned" briefing paper for Admiral (ADM) Robert J. Kelly, the Commander-in-Chief, United States Pacific Fleet. A subject thememight include the type of management controls needed to facilitate a smoother execution of the "hot turnover" in the politically and legally sensitive environment as described in the case, mindful of the United States' overall mandate to leave as friends and ultimate objective to complete the turnover legally within the given deadline.

The management controls listed at the end of this teaching note are extracted from those actually drafted by CINCPACFLT staff for a March 1993 brief on the overall U.S. withdrawal from the Republic of the Philippines; these management controls are applied specifically to this case and the "hot turnover" of NAS Cubi Point by the writer based on affirmation of CAPT Ikuma. The list can be used by the instructor to promote discussion with the students on its applicability to the corporate environment as well.

WHY USE THIS CASE

This case study is designed to allow graduate students to analyze the management control process used by CINCPACFLT staff to integrate the NAS Cubi Point "hot turnover" into the overall strategic United States forces withdrawal plan. The case provides study and discussion material for developing and executing a crisis-response plan, cognizant of the underlying concerns presented by laws, policies and politics, resulting in the successful conclusion of the Subic base withdrawal process and the laying of a foundation for a newly emerging bilateral relationship between these two countries.

As in the corporate world, the United States government sometime operates in a crisis response mode. This case provides an exceptional example of how the United States government, and the United States Navy in particular, developed a quick-reaction response to a serious short-fused dilemma. While the dilemma itself is unique in nature (i.e., the "hot turnover" of NAS Cubi Point), the management controls affected by CINCPACFLT staff to develop, and then alter, their strategic plan, provides an excellent guideline for developing a workable plan in a timely manner, given unforeseen circumstances.

The remainder of this teaching note provides points of discussion for use by facilitators and identifies a brief synopsis of some management controls which could be used by the facilitator to help students discuss and analyze points in

a classroom environment. Other areas which could be discussed include CINCPACFLT staff's ability to incorporate these new/modified control systems. Examples of points could be to discuss overall system flexibility, rigidity, and ability to forecast changes due to an ill political wind. With all the problems and uncertainties, what was it about the staff organization that allowed an incredibly complex evolution to be carried off on time and within fiscal and legal constraints?

If you would like a reproducible copy of the teaching case, contact Professor K. J. Euske at the Naval Postgraduate School.

DISCUSSION POINTS

The concept of "hot turnover" surfaced in February, shortly after the initial United States withdrawal plans had commenced execution. The Philippine government had requested via the American Embassy in Manila that the United States government leave certain removable equipment behind at Subic and Cubi. United States representative, Ambassador Frank Wisner, echoed the United States position that the Mutual Defense Treaty with the Philippines was one of the pillars of United States forward defense in Asia. In the long run, it would be in the United States' interest to have a working security relationship with this country, and that would

require at least minimal capability on the part of the Philippine Armed Forces. (Ikuma, 1993)

United States officials believed a Philippine military element remaining at Cubi Point would be in the United States' best interests as it would serve as the most logical point for the United States to seek future air and sea "access". (The term "access" throughout the months of the withdrawal process had become an emotionally charged and potentially self-defeating term, as the Philippine press incorrectly tended to equate "access" with a continued permanent presence, or a "U.S. plot" to stay at Cubi past 24 November. Consequently, United States officials spoke in terms of "future cooperation and interaction.") An Armed Forces of the Philippines (AFP) role at Cubi would also mean that the AFP could keep control of the training areas north and west of Cubi. Should the United States and Philippine Governments mutually decide in the future for the United States to gain "access" or promote "cooperation and interaction" with the Government of the Philippines for transit and training, the existence of an adequately equipped airport at Cubi would enhance the chances of success. (Ikuma, 1992b, p. 2) The concept of a "hot turnover" was requested by the GOP and supported by the American Embassy Manila in response to these issues.

CAPT Ikuma provides a fluid synopsis of the emergence of the "hot turnover" issue and early considerations needed to be dealt with:

During the withdrawal planning process, the Philippine government became interested in receiving Cubi Point as an operational airfield. This evolved into a "hot turnover" of an Instrument Flight Rules (IFR) airfield at Cubi Point. The "hot turnover" concept initially contradicted the equipment withdrawal guidelines and strategies. GOP politicians wanted a gratis turnover of much of the equipment that was non-excess to U.S. needs. The United States government (American Embassy/State Department) felt that a "hot turnover" of the airfield, facilities and supporting equipment, would enhance the utility of the field through economic/military purposes, and serve to establish goodwill in the new relationships emerging between the two governments.

We prepared a plan for presentation to GOP officials which identified costs and equipment deemed necessary to support an IFR airfield. This included non-excess equipment and excess equipment which would be provided under Section 519 of the Foreign Assistance Act. Initially, every piece of equipment identified in the plan was asked for by GOP officials including an old, difficult-to-maintain, Ground Control Approach radar. We understood that GOP leaders would want to utilize Cubi Point for civilian purposes also.

The initial turnover plan had three milestones to effect the turnover process: 1) Identify all the equipment and conduct a documented turnover. 2) Provide a training program to operate the equipment, some of which is totally unique to the U.S. military. 3) Provide parts support and manuals to support operations through some undetermined period of time. As stated earlier, a good deal of the equipment in question was not in excess to the U.S. Government, yet was necessary to accomplish the "hot turnover" process. The final planned course of action was the establishment of a Foreign Military Sales (FMS) case to enable the Armed forces of the Philippines (AFP) to purchase non-excess equipment using FMS financial credits. Because of the scarcity of these funds, the AFP decided to purchase only a Tactical Aid to Navigation (TACAN) and a non-directional beacon for navigational aids (no radars), in addition to support equipment. They also purchased a logistics support package for this equipment. The value of the FMS case is \$2.37 million US for the equipment and \$2.26 million US for training, support, and spare parts. Additional equipment obtained through Section 519 (excess

equipment) completes the turnover package. The airfield will be a non-radar environment, (minimally) IFR-capable field. Although the equipment purchased under FMS will not be compensated for with additional funds for the Navy, the overall dollar value is relatively small and will have little if any impact on the U.S. Navy operations.

Early involvement GOP leaders, in clarifying their desires, would have been extremely useful in developing the "hot turnover" plan. Many elements of the plan were constructed without any GOP "subject matter experts" (i.e., decision makers on-site), until development of the FMS case. Many elements of the initial plan were constructed by making assumptions on GOP intentions and requirements. A decision on who the accepting agency for the Philippines would be to receive the airfield was not made until very late in the turnover process. Because of the ambiguous situation, many amendments and changes occurred and, consequently, the process was not smooth until the development of the FMS case. (Steckler, L., 1992, pp. 35-37)

Throughout the withdrawal and "hot turnover" process, the biggest hurdle that the United States had to overcome was there being no single point of contact in the Philippine government for ADM Kelly, Commander-in-Chief United States Pacific Fleet, to coordinate with due to the "troika" power struggles of Olongapo Mayor Richard Gordon, AFP Chief of Staff Lisandro Abadia, and bases conversion task force director Alejandro Melchor. Melchor removed himself from the power struggle as he eventually resigned from his post, and Gordon was appointed by the newly elected President Ramos to be the unified point of contact for the United States late in the turnover process. As the power struggle persisted between Mayor Gordon and AFP Chief of Staff Abadia, the United States reaffirmed its desire to foster a smooth transition and

consequently the need to hear from "one voice." Certainly this was not the case through most of the withdrawal process.

In meetings held on 14 and 18 May, top level civilian and military Philippine officials made dramatic strides in coordinating a single, cohesive concept for the "hot turnover." This became the first definitive indication the AFP would have a role in operating Cubi Point, as they explored the concept of allowing the Philippine Air Force (PAF) to operate Cubi Point as a joint military-civilian airfield. The newly developed concept initially resolved the struggle over military versus commercial use of the facility by giving the Subic Bay Metropolitan Authority (SBMA), headed by Olongapo Mayor Richard Gordon, a free hand to develop the vast majority of the facilities commercially, with the Armed Forces of the Philippines having the right to use some key facilities. Upon concluding the meeting, a diplomatic note to the United States embassy was sent, naming Mayor Gordon as the official Philippine government point of contact in Subic.

In addition to high level meetings, there were two other positive developments. On 15 May, a Philippine team consisting of AFP and PAF officers met with United States Navy officials at Cubi to detail the equipment the PAF would need to acquire to operate Cubi as an IFR airfield following the United States withdrawal. This meeting obviated the earlier Philippine diplomatic note which requested non-Cubi equipment (e.g., horses, decompression chamber). In the second positive

development which occurred on May 19, Philippine officials began manning their official liaison office for the "hot turnover" and making contacts with their United States counterparts at Commander, United States Naval Forces Philippines (COMUSNAVPHIL) staff.

Following the May resignation of Alejandro Melchor from the presidential task force on bases conversion, there was dramatic improvement on the Philippine side in coordinating themselves to handle the conversion of Subic to Philippine control. Philippine politicians had started late and their resources did not necessarily match their plans, but United States officials finally felt that the process of dealing with the Philippine side on the myriad of withdrawal and conversion-related issues would proceed smoothly. Although a reemergence of the struggle for control of Subic conversion was not ruled out, it appeared that Mayor Gordon was overwhelmingly in the driver's seat. United States officials believed that a smooth conversion by the Philippine side would lessen the perceived need to blame the United States publicly for Philippine failures and would be beneficial to the effective rebuilding of the United States/ Republic of the Philippines security relationship.

A variety of equipment mix options were developed to support the Cubi Point turnover to the GOP as an operational Instrument Flight Rules (IFR) field. These ranged from full capacity (essentially current Cubi status) to a basic

capability IFR field, which lacked radars, but included a Tactical Aid to Navigation (TACAN), non-directional beacon, weather measuring equipment, and limited airfield operations/maintenance equipment. (Appendix B provides definitions/discussion of radars and navigational aids under consideration for purchase by the GOP). The removable equipment turnover costs at estimated replacement value were \$18.1 million US for the full IFR airfield and \$6.3 million US for the basic capability IFR field. Considerations for the transfer of equipment included realistic expectations of the GOP's ability to maintain and operate the equipment, much of which was unique to United States military operations.

By the end of May, the newly confirmed GOP representative Mayor Gordon had agreed to purchase all excess removable property for an estimated lump sum of \$4.1 million US less the value of any excess property that could be transferred to the AFP under Section 519 of the Foreign Assistance Act. Assuming the required 15-day Congressional notification period passed the United States Congress without objection (which ended 3 June), the discounted price tag would be \$613 thousand US. This deal removed a lot of pressure from the Defense Reutilization and Marketing Office (DRMO); however, if it fell through, DRMO would be hard put to auction off all of the excess before closing down the facilities.

In early October 1992, the "warm turnover"¹² of Cubi Point continued to be complicated by disagreement within the GOP over the use of the airfield. Philippine Undersecretary Singson, Mayor Gordon, AFP Commodore Madamba, AFP Chief of Staff General Abadia, and General Estrellado of the 15th Strike Wing had reached a total impasse on the matter and it was referred to President Ramos for a decision.

The impasse revolved around the numbers of 15th Strike Wing personnel moving to Cubi Point (presence), what buildings they would be allowed to occupy (office space and hangars), and accommodations for their families (housing). (Mercer, 1993b)

Gordon did not want significant military presence on the Subic Bay complex because he feared it would detract from the appeal of the facility to commercial investors; he was unwilling to accept more than a token military presence unless ordered by Ramos. RADM Mercer described the Cubi Point problem as directly linked to the problem of future access arrangements:

General Abadia has never wavered in his strong assertion that the key to future military-to-military relations between our two governments lies in a successful "hot turnover" of Cubi Point and its operation by the AFP. Mayor Gordon, however, is being told by investors, both Filipino and international, that they are not interested in investing if the AFP will be present in any significant numbers at Cubi. (Mercer, 1993b)

As the end of October neared, U.S. Navy authorities were anxiously awaiting a decision by GOP leaders, to preclude

¹²"Warm turnover" was a new phrase coined by the staff of the American Embassy Manila after the GOP opted for the basic IFR field and its usefulness as a "fully operational" airfield became questionable.

having to dismantle and remove the non-excess aerodrome equipment if military forces were not present to receive the equipment. Philippine Secretary of Defense DeVilla and President Ramos were definite in their stance for an AFP presence at Cubi Point. Not only did they not want to jeopardize the turnover of aerodrome equipment, but also in jeopardy was a potential future military access arrangement with the United States as the 1991 destruction of Clark Air Base by Mount Pinatubo had left only Subic Bay/Cubi Point as a feasible option.

By early November the dispute had been resolved: In lieu of a major air base wing (15th Strike Wing) desired by General Abadia, an "air group level equivalent" of 300-500 men and several small aircraft was stationed at Cubi to keep the airfield operational after the United States Navy departed. There would be no housing for military families at Cubi Point -- a concession to SBMA Chairman Gordon. Ramp space at the airfield was divided between the civilian and military users, with the military occupying the western portion of the airfield. This agreement on shared military/civilian use of Cubi Point did meet United States requirements for the FMS sale of \$4.8 million US in aerodrome equipment, spares and training for the operation of Cubi Point airfield.

The withdrawal was completed legally and on schedule on 24 November 1992. CAPT Ikuma recalled the words of ADM Larson,

(USCINCPAC), the senior military officer in charge of all United States forces in the Pacific region:

In my judgement, the long-term legal ramifications and adverse impact on worldwide precedent of any shortcuts, real or perceived, to the correct implementation of property disposition policy outweighs any short-term political value. Our Subic withdrawal is predicated on professionalism; the proper disposition of removable assets is paramount to its success. (Ikuma, 1993)

**MANAGEMENT CONTROLS IN
THE "HOT TURNOVER" OF NAS CUBI POINT¹³:**

1. Establishment of higher authority ownership and commitment (Chief of Naval Operations/Secretary of the Navy/Secretary of Defense levels.)

This ownership and commitment by higher authority to the base closure plan and established timetable for closure was absolutely essential. Issues beyond ADM Kelly's (Commander-in-Chief United States Pacific Fleet) control occasionally threatened his ability to accomplish the withdrawal as scheduled. Occasional intervention at the levels mentioned were necessary to overcome obstacles. This was particularly evident with the letter from the Defense Security Assistance Agency (DSAA) elaborating on Congressional concerns and their intent to delay the transfer of excess material to the Philippine government while they deliberated the issue.

2. Designation of single on-site coordinator.

From the onset, ADM Kelly made it known that he was in charge of the United States forces withdrawal and Subic Bay closure.

At the area coordination level in the Philippines, RADM Mercer, Commander United States Naval Forces Philippines (COMUSNAVPHIL), was designated by ADM Kelly as the single on-site point of contact and coordinator of the actual withdrawal. (See Exhibit III for organizational chart.)

3. Identify individual points of contact at each level of management.

This too was essential to facilitate communications, data gathering and problem avoidance. There were numerous stovepipe¹⁴ activities which belonged to major claimants other than that of the Pacific Fleet, such as Naval Air and Naval Sea Systems Commands; thus overall coordination of the base closure was difficult due to many different chains of command and their respective priorities. To carry out his tasking, RADM Mercer established a staff withdrawal coordination group to coordinate all actions associated with physical departure, among the many different commands in the Subic Bay/Cubi Point complex. This group kept RADM Mercer informed of progress and problems, and prepared bi-weekly

¹³ Management controls are extracted from CINCPACFLT "Withdrawal Plan" brief on withdrawal management and oversight processes. (CINCPACFLT, N5A, 1993)

¹⁴A stovepipe is a command organization with fiscal interests in the Philippines, but not fiscally or operationally responsible to CINCPACFLT.

situation reports for his use in reporting to ADM Kelly. Designation of these individual points of contact enabled coordination and problem resolution.

4. Clear establishment of decision making authority was essential.

Due to the Troika power struggle, this got off to a rocky start; however, the Government of the Philippines (GOP) political situation finally stabilized somewhat during May, the fifth month of the 11-month withdrawal process. Mayor Gordon was eventually appointed as the Philippine government's "single point of contact" to coordinate with the United States Navy, and the newly elected President Ramos ultimately provided the needed support from Manila for Mayor Gordon. Only then were decisions critical to the hot turnover process able to be made and problems resolved.

5. Establish good communication between withdrawal coordinators and local community leaders.

The withdrawal coordinators needed to work closely with local community leaders, and Mayor Gordon in particular, to ensure their interests were known and protected to the extent possible. Such openness helped to prevent negative publicity and result in easier problem resolution.

6. Establish management control group for logistics.

Logistics operations encompass the majority of planning, coordination and physical withdrawal in any base closure process. RADM Mercer established the "logistics planning cell" as a management control group to manage the time line for cargo shipment, excess equipment turn-in/disposal to the Defense Reutilization and Marketing Office (DRMO)¹⁵, turnover of purchased equipment to the GOP, vacating buildings, and turnover of real estate. Establishing this "logistics planning cell", made up of senior members of each command or activity located in the Subic Bay/Cubi Point complex, provided the most efficient and productive method of accomplishing the massive logistics effort, thus incorporating all commands into the planning process.

7. Implement program of strict accountability.

Shortly after the withdrawal commenced, large quantities of government assets were moved around the base. Material and equipment underwent inventory, relocation, packing, crating, shipping, and disposal. The volume of asset movement made security of government owned assets significantly more difficult. It was essential to have a clear audit trail for

¹⁵DRMO is the disposal agent for all removable property excess to U.S. Navy or DOD needs.

subsequent use by the General Accounting Office, service audit agencies, and Inspectors General.

8. Include Defense Reutilization and Marketing Office (DRMO) in every aspect of initial planning through final execution.

Excess property disposal was a key element in the successful turnover and withdrawal. DRMO senior personnel were included in every aspect of the initial planning through final execution. A firm schedule was established for steady turn-in of excess defense articles and hazardous wastes to DRMO for disposal in accordance with applicable U.S. laws and Defense Logistics Agency directives. Procedures were developed, agreed to by local officials and higher authority, and published well in advance to ensure 100 percent of the excess material was accommodated in a timely fashion, maintaining full accountability and audit trails. This area required special attention because of the inflexibility of some laws, rules and regulations (e.g. equipment sold through Foreign Military Sales and equipment transferred via Section 519 of the Foreign Assistance Act). If not managed properly, the disposal process could have become the cause of delay in completing the withdrawal.

9. Establish "Drop Dead" Dates.

This management control tool was used throughout the withdrawal turnover process. June 1 was established as the milestone date for identifying any hot turnover items. After that date, major equipment shipped out and increased personnel transfers resulted in less equipment and training opportunities available. United States Navy personnel had spent a considerable amount of time educating the various GOP officials on how to exercise GOP "right of first option to acquire" in the DRMO process. As of June, GOP officials had not yet exercised this option, apparently waiting until the new Ramos administration was in place.

Another "drop dead" date of 1 November was established in an attempt to alleviate what was described as ADM Kelly's "worst nightmare": the apparent lack of funds the Philippine government had to purchase removable excess property. The lack of government funds was driving a number of requests by the GOP to the United States to turn over property free of charge. ADM Kelly consequently established the 1 November "drop dead" date for GOP officials to execute its FMS options, so that the United States Navy had time to ship out any equipment GOP leaders opted not to buy.

10. Identify agent to officially receive custody of facilities.

Agents were identified early in the withdrawal process as facilities became vacated. Knowing who was to be responsible for security and maintenance of the property after turnover,

enabled early joint development of a turnover plan and schedule. Inordinate delay in identifying the new custodian would have adversely impacted the ability to vacate.

11. Develop cargo and personnel transportation plan.

A major tool that was developed early in the withdrawal planning phase was a cargo and personnel transportation plan. Time Phased Force Deployment Directive (TPFDD) methodology was utilized to identify what was to be shipped, when it was to be shipped and to where it was to be shipped. This document provided a planning and control mechanism to schedule movement of assets and people on base and availability of ships/planes for transportation.

12. Establishment of Program Definition Conference (PDC).

Once Mayor Gordon finally submitted his request to procure equipment, thus signalling his intent to proceed with plans to assume operation of the airfield at Cubi Point, the Program Definition Conference (PDC) was established. The PDC was conducted jointly by the U.S. Navy and representatives of the Philippine Air Force (PAF) to discuss for the first time requirements to support the hot turnover. A plan of six FMS cases were identified and a schedule established to transfer the material, allowing sufficient time before the deadline. The Equipment Transition Plan was developed during the PDC for planning purposes, to be solidified through future FMS cases.

13. Early identification of required training.

The Program Definition Conference Group was established to develop a program to sufficiently train Philippine Air Force (PAF) personnel the necessary skills to keep Cubi Point operational after the United States Navy departure. Contingencies were established for teaching English terminology, equipment operations and maintenance procedures.

14. Early identification of mission essential personnel.

This was a major cost cutting initiative. Persons determined not essential were scheduled for early transfer or employment termination. Reduced numbers of personnel on board significantly reduced administrative burdens of personnel management and support functions. As Cubi Point personnel steadily shrank to a skeleton crew, ADM Kelly still felt committed to maintain services until the actual turnover. Therefore, personnel identified as mission essential were kept on board for as long as possible to maintain the equipment in an operational capacity and perform as much On-The-Job Training (OJT) as time permitted.

15. Provide GOP officials the tools to make a decision.

CAPT Ikuma developed three options for consideration, ranging from an airfield with bare minimum capability to that

of full range capability. ADM Larson (USCINCPAC) proposed CAPT Ikuma's three options outlined in the case to Mayor Gordon, in an effort to minimize delays that were jeopardizing the critical time line. These options provided Mayor Gordon with the tools to make an educated decision as to how operational an airfield he wanted turned over. Opting for the basic Instrument Flight Rules (IFR) capability, GOP officials finally had a "gameplan" with which to negotiate with ADM Kelly on funding and related concerns such as civilian vs. military use of the airfield.

16. Develop Contingency Plan for last minute crises.

ADM Kelly was fully prepared to fall back on his contingency plan to ship all equipment out should GOP officials not be able to either fund the newly acquired equipment or abide by the legal requirement to have military presence at Cubi Point. Even through October, the turnover of Cubi Point to the GOP was complicated by disagreement within the GOP top ranks over use of the airfield. GOP and Armed Forces of the Philippines (AFP) leaders were well aware of the fact that the FMS contract for non-excess airfield equipment had always been keyed to an AFP presence at Cubi Point and transfer would only be accomplished on a military-to-military basis. A meeting on the use of Cubi Point between AFP Commodore Madamba, Gordon and others on September 30 had reached a total impasse and the matter was eventually referred to President Ramos for a decision. President Ramos ultimately settled the question of military use of Cubi Point in order to meet FMS requirements and a compromise of a much smaller "air service support group" wing was sent in lieu of the 15th Strike Wing.

17. Maintain flight safety as an issue in negotiations.

USCINCPAC was the authorized United States representative during the 15 May 92 Philippines Mutual Defense Board strategy meeting; presuming GOP leaders would decide on a joint civilian-military use for Cubi, the decision was made at this meeting to use FMS as a vehicle for the "hot turnover". Several safety concerns were noted when comparing the plans as drafted by USCINCPAC and the Philippine Air Force (PAF). The PAF plan was reasonable with the exception of the inclusion of the Precision Approach Radar (PAR). Because of the operational requirement for intensive specialized training, and thus a major safety concern if improperly maintained and operated, USCINCPAC needed to decide whether to sell this radar as part of the package. Meanwhile, the Air Surveillance Radar (ASR-8), good for safety and future interoperability, was strongly desired by the PAF, yet its high price of \$7.9 million US did not allow it within the "\$4 million US" package. (See Appendix B for definition/comparison of radars).

The following recommendations were supported after review of the plans developed by CINCPACFLT, a Navy component command, and submitted by USCINCPAC and the PAF:

1. Support the "hot turnover" of NAS Cubi Point which provides for the basic (non-PAR) Instrument Flight Rules (IFR) capability with a radar environment (ASR-8). Rough acquisition cost: \$15.07 million US.

2. Emphasize the need for logistics and training support as immediate consideration once the decision was made on desired capabilities.

3. Suggest the AFP should not bear costs of "civilianizing" Cubi Point with Instrument Landing System (ILS)/VOR-DME; the costs should be borne by the Philippine civil aviation administration.

Ultimately, GOP leaders opted not to buy the ASR-8 due to funding constraints, and went with the basic IFR capability with NO radars. The operational capacity and safety of Cubi Point airfield was now quite questionable.

18. Remain steadfast under foreign "political pressure".

Throughout the "troika power struggle" of Gordon, Melchor and Abadia, each player sought the support of the United States to enhance their position in the political arena. The United States held the position of not getting caught in the middle of this tense power play and focused on dealing with one point of contact, namely Mayor Gordon. As events escalated and GOP tempers flared, United States officials remained cautious, resolute in their mandate to "leave as friends." United States officials became even more wary as they shunned Melchor's pursuit for "special deals" in a delay tactic of the entire withdrawal evolution.

In the latter months, ADM Kelly and RADM Mercer maintained the position that it would not be in the best interest of the Armed Forces of the Philippines (AFP) or the United States to allow the equipment identified for FMS sale or Section 519 transfer to be diverted to civilian, non-military use. This could establish a precedent that would allow the GOP to siphon equipment/programs intended for military use to civilian projects without United States consent.

The AFP did eventually purchase the FMS equipment legally, as there was AFP presence at the time of turnover, however minimal, which consisted of the PAF 15th Air Strike Wing. Despite Mayor Gordon's vows to turn the airfield completely commercial, Cubi Point still had military presence at the writing of this case one year after turnover.

19. Daily monitoring.

Daily monitoring of the withdrawal progress and regularly scheduled reports to headquarters level and higher authority were essential to keeping decision makers informed for quick problem solving.

20. Public Affairs guidance developed for all levels of management.

This was developed early in the withdrawal process to ensure information about the withdrawal was publicized in accordance with policy. The media was kept fully informed of withdrawal progress to preclude speculation and unnecessary negative perceptions of the U.S. military's role in the process.

Exhibit 1

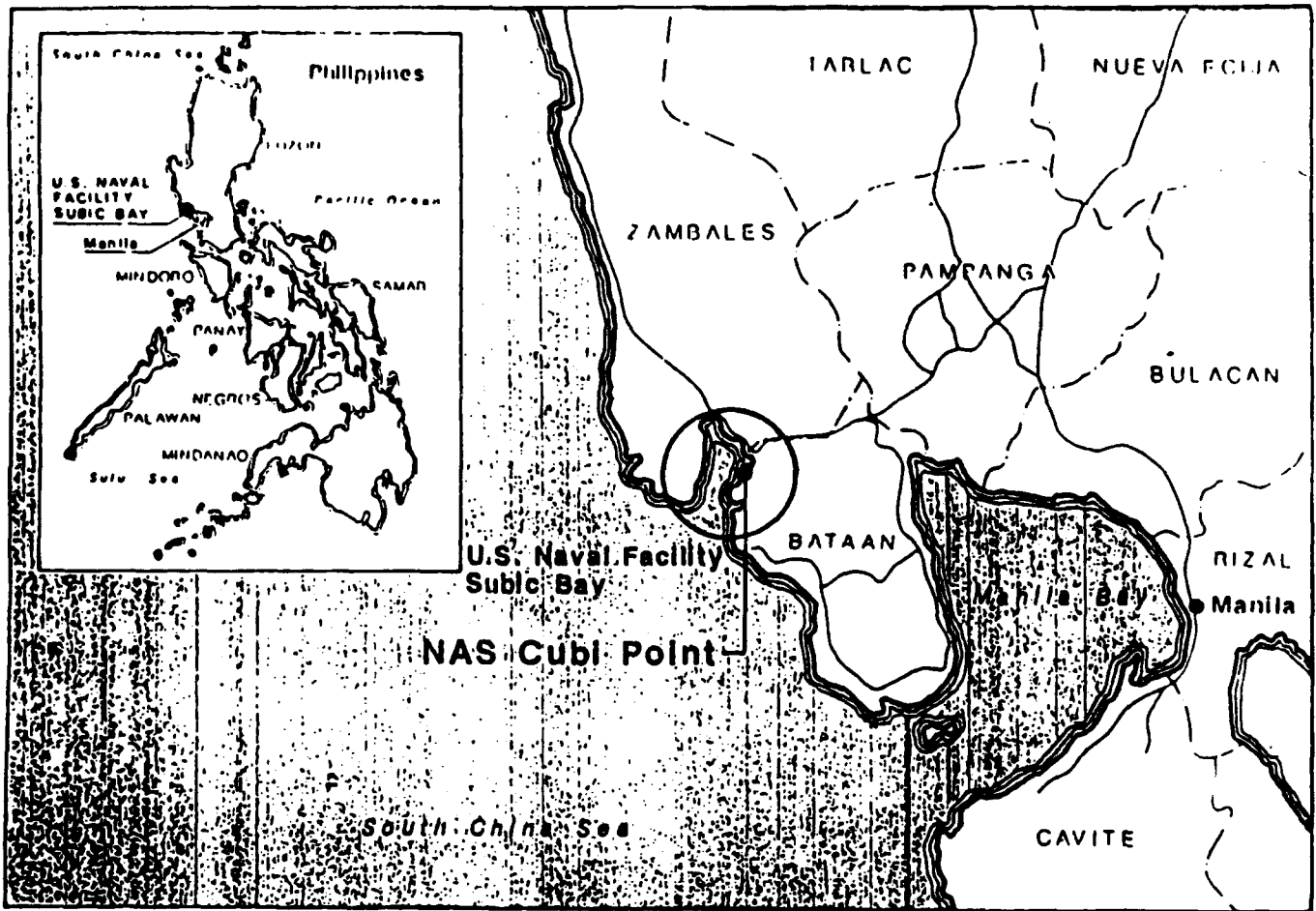
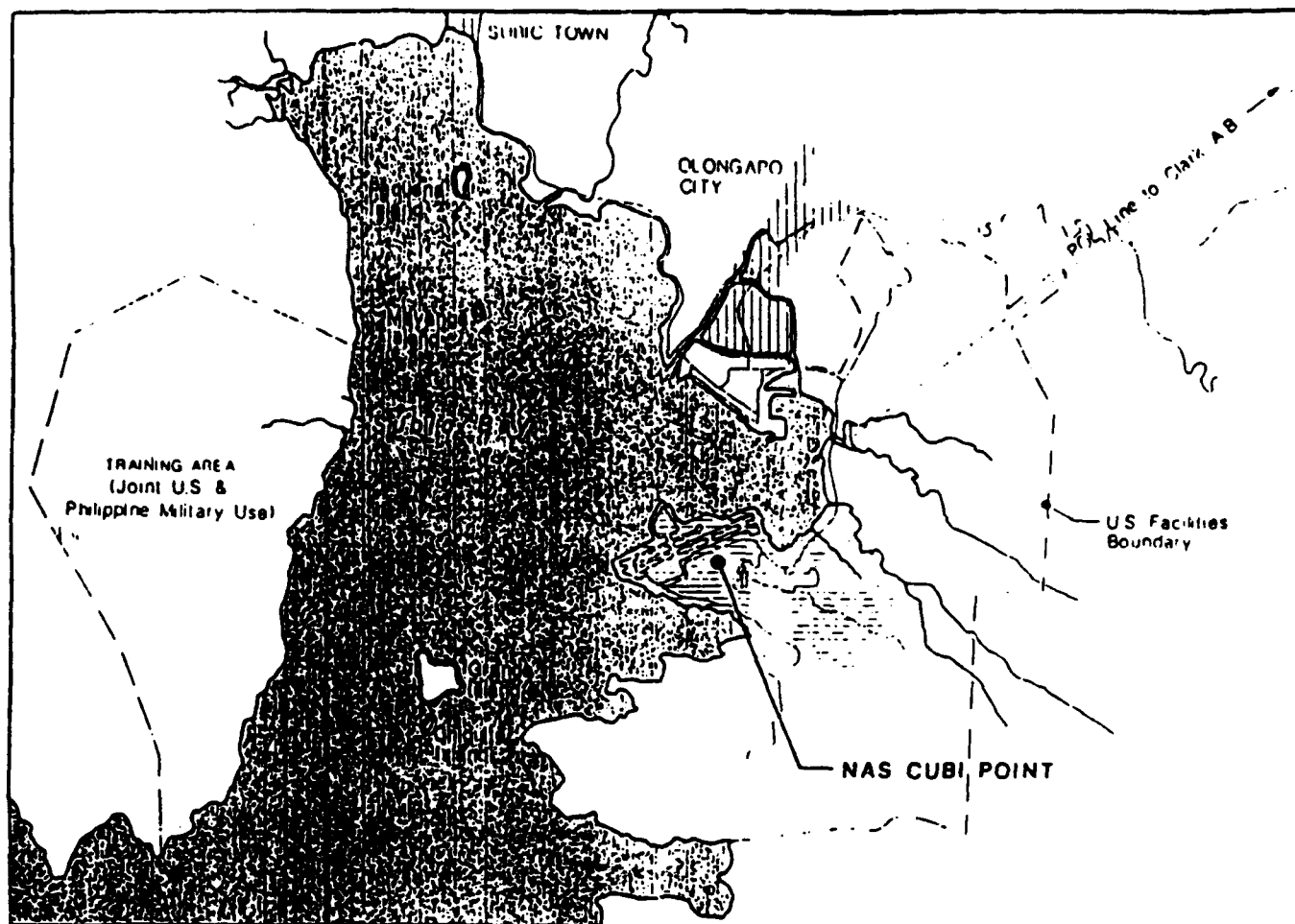
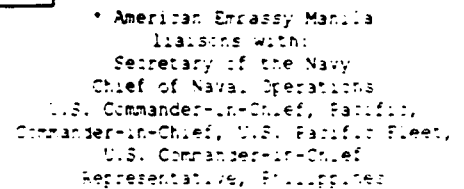


Exhibit 2



A partial organizational diagram of the command structure for United States Pacific Fleet Components involved in the "Hot Turnover" of Naval Air Station Cubi Point



APPENDIX A

OVERVIEW OF UNITED STATES FORCES WITHDRAWAL FROM SUBIC

This appendix is provided as an overview of the overall withdrawal effort of United States forces from the Philippines. The data has been excerpted in its entirety from a complementary case study written by LT Larry J. Steckler, entitled: "A Management Case Study: The U.S. Withdrawal and Subsequent Closure of the U.S. Naval Facility at Subic Bay, Republic of the Philippines." Review of this appendix will provide the reader a better understanding of the strategic planning process used to support the withdrawal and base closure, and enable the reader to gain insight on a subset of this withdrawal process: the "HOT TURNOVER" of NAS Cubi Point.

BACKGROUND

In December 1991, the Philippine Senate rejected the Foreign Bases Treaty Agreement and forced the United States government to implement withdrawal and closure plans for the United States Naval Base at Subic Bay, Republic of the Philippines.

The negotiations between the Philippine and United States governments for long-term United States military basing rights at Subic Bay in the Philippines had been ongoing through much of the 1980's. By the middle of 1991, the negotiation and

treaty ratification process had become suspect because factions of the Philippine government, namely the Philippine Senate, were giving indications that the treaty might not be ratified as proposed. The possibility of at least a partial United States withdrawal became more likely with each passing day.

The Naval Base at Subic Bay was a huge, sprawling facility, encompassing more than 23,000 acres of land and water, which served aircraft and ships of the United States Seventh Fleet. Some of the facilities at the base included a fully capable airfield, a ship repair facility, aviation intermediate depot maintenance activities, a fuel farm to support ship and base fueling needs, a hospital, a naval supply center, several deep draft piers to support the United States Navy's largest ships and submarines, and all of the infrastructure necessary to support 22,000 permanent workers and residents. Base support was also occasionally extended to as many as 11,000 transient sailors and marines from visiting United States Navy ships.

CINCPACFLT was the executive agent for the withdrawal and closure of the Naval complex at Subic Bay. A large U.S. Navy headquarters staff employing Total Quality Management/Total Quality Leadership principles, CINCPACFLT conducted the strategic planning and devised the subsequent management controls which were used by subordinates to implement the

personnel withdrawal, equipment disposition, ammunition withdrawal and the facility/base closure plans.

Due to the nature, complexity, and voluminous amounts of data available, the original case explored events occurring from the middle of calendar year 1991 through the beginning of calendar year 1992, to illustrate the evolution of management controls by Commander-in-Chief United States Pacific Fleet (CINCPACFLT) and its implementation of planning strategies for the United States naval base closure.

THE PLANNING PROCESS

In the late summer of 1991, Admiral Kelly, Commander-in-Chief United States Pacific Fleet, chaired a roundtable meeting at staff headquarters in Pearl Harbor, Hawaii. Participants in the roundtable discussion group included the CINC's personal staff, the deputy CINC, deputy and assistant chiefs of staff (division heads), and the twenty-three standing members of the Philippine Working Group (PWG). The meeting was held to discuss the implications of continued U.S. Navy presence at Subic Bay Naval Base in the Philippines. Whatever the outcome of the negotiations, ADM Kelly was determined that the Pacific Fleet would be ready and able to effect any emerging strategy regarding the Navy's interests in the Pacific.

During the meeting, Admiral Kelly expressed his beliefs that should the base negotiations fail and end in treaty rejection, the subsequent base withdrawal and closure process

"would be the single most important thing accomplished by the Pacific Fleet in 1992." He was adamant that the Pacific Fleet staff make whatever preparations were necessary to explore options and write a plan for withdrawal which, if required, could be implemented on extremely short notice.

Two sets of plans were reviewed in depth. One was the Facilities Closure Plan (FCP) which was constructed in the mid-1980's and looked broadly at eight core areas to be considered in a foreign base withdrawal and closure. The other plan was known as the 1989 Bases Relocation Plan, which was a plan to conduct withdrawal under conditions of political or military turmoil.

In late August 1991, analysis of the political undercurrents in the Philippines indicated that the negotiations might not yield a treaty acceptable to all the political powers involved. Given the prospect of at least a partial withdrawal, ADM Kelly ordered a "Strawman Plan" to outline what the course of action might be. The Strawman was to be very broad in nature with loosely defined goals, but incorporate "some" level of detail which could be used to facilitate current and future withdrawal planning. Both, the Facility Closure Plan and the Bases Relocation Plan, were used as a foundation of Strawman.

RADM Mercer's (COMUSNAVPHIL) staff, operating the United States facilities at Subic Bay in the Philippines, were a great source to generate ideas and evaluate proposals for

Strawman. The personnel on RADM Mercer's staff were closest to the issues and should have had the best feel for what might and might not work. The in-country staff would also be the primary agents to conduct a withdrawal if the basing negotiations deteriorated. However, the CINCPACFLT staff had been given direction to minimize contact with in-country personnel because of the "politically secret" nature of the base negotiation process. This security step was considered necessary to assure an effective negotiation.

The almost daily changing political scene in the Philippines and the "closed door" nature of the negotiations greatly influenced the building of Strawman. The Facility Closure Plan (FCP), CINCPACFLT staff, and new data from sites outside the Philippines were the most useful sources for evolving a plan.

REALITY

The Philippine Senate rejected the negotiated bases treaty agreement on 17 September 1991. One plausible explanation for the treaty rejection was an attempt by elements of the Philippine government to extract a higher price from the United States for the basing concessions, thereby using the treaty and its potential ratification as a bargaining tool. In any case, the Military Bases Agreement (MBA), executed in 1988, provided that the bases would be maintained in the Philippines at least until 31 December 1991. Additionally, the United States would have one year from 31 December 1991 to

close the bases if terms for a new basing agreement could not be reached by that time. Concurrent with the Philippine Senate's rejection of the negotiated treaty the Philippine constitution had also been re-written, which included a provision for immediate disestablishment of all foreign military bases on Philippine soil.

MOMENTUM

While the executive branch of the Philippine government acknowledged opposition to the treaty, outright treaty rejection by the Philippine Senate was largely unanticipated. The significance of the Philippine Senate vote created great confusion in determining the true scope of the wishes of the Philippine government. On the one hand, the Philippine President and many of the Philippine people supported the bases. Conversely, the Philippine congress was against the bases as indicated by the vote. However, there would be several more months of political wrangling before the true fate of the bases would be determined.

When the Philippine Senate rejected the treaty in September 1991, CINCPACFLT staff already knew much of what they were up against if a full withdrawal was warranted. Strawman contained a rough time table with concepts and major functions outlined, and was considered a good blueprint by staff planners for any future planning effort.

In late September 1991, ADM Kelly called another roundtable meeting to discuss options and ramifications in

dealing with the variables surrounding the rejection of the basing treaty. Various mission contingency and withdrawal options were discussed. The main thrust of the meeting was to determine the effects of the treaty rejection, and develop options to address those impacts.

Strawman was one of the options presented, and was chosen for continued staffing as it was the most likely overall course of action given the events of the time. By the end of September, ADM Kelly had approved the major elements of Strawman with some qualifications. Additional planning was required to ensure adequate base security during drawdown, member and dependent quality of life was maintained at the highest level possible during the drawdown, and that relocation of commands in the Philippines affected by the withdrawal be re-evaluated within the context of a reduced overall Pacific Fleet force structure. By the first week in December, Strawman was considered complete by Admiral Kelly, but was not yet approved by authority above CINCPACFLT for execution.

Following the Philippine elections in the fall of 1991, President Aquino attempted to revive the treaty debate within her government. However, these efforts failed to reverse the inertia of events following the Philippine Senate vote. By mid-December the effort by the Philippine executive branch to keep the bases in the Philippines was viewed as an overall failure. While the provisions in the revised Philippine

constitution for early closing of the bases had failed, the United States' remaining hope for keeping the Philippine bases had been quashed. On 31 December 1991, the one year time clock, as dictated by the 1952 Mutual Defense Treaty (MDT), began ticking for the United States to remove its military presence from the Philippines. Initial projections indicated the Pacific Fleet would meet the one year time constraints contained in the MDT and would complete the processes before the 1992 Christmas Holidays.

IMPLEMENTATION

The Pacific Fleet Philippine Withdrawal Plan was prepared for implementation in January 1992. The plan was transmitted as a directive to organizations above and below the CINCPACFLT chain of command. To subordinates and stovepipe¹⁶ organizations, the directive initiated withdrawal operations. For superiors, the directive included provisions that, unless otherwise told, execution of the withdrawal plan would begin immediately. In late January and early February, CINCPACFLT, the Naval Forces component commander under United States Commander-in-Chief Pacific (USCINCPAC), gave detailed briefings of the plan's provisions to USCINCPAC, Chief of Naval Operations (CNO), and the Secretary of the Navy (SECNAV).

¹⁶A stovepipe is a command organization with fiscal interests in the Philippines, but not fiscally or operationally responsible to CINCPACFLT.

United States Commander-in-Chief Pacific is a joint command made up of elements of the Air Force, Army, Navy and Marines and is responsible to the Joint Chiefs of Staff (JCS) to carry out strategic and tactical doctrine consistent with United States' political and military goals in the Pacific, Indian and Southeast Asian theaters. CNO/SECNAV ensure all United States Naval forces meet readiness requirements to support JCS doctrine and own most of the infrastructure to support Naval forces worldwide. They all approved the Philippine withdrawal plan as briefed.

The strategy for implementing the United States Navy closure was conceptually built around individual functional plans (e.g., facility closure, security, civilian/military/Filipino personnel, equipment/ammunition/property removal and disposal, and environmental closure). These individual plans began as elements of Strawman and had been refined over the months leading up to implementation. RADM Mercer's staff in the Philippines did not see these plans in detail until a few days prior to receipt of the implementing directive in January 1992.

Facilities turnover and the security plan were highly integrated within the overall withdrawal plan. CINCPACFLT staff provided oversight and coordination for ADM Kelly, while RADM Mercer's staff was responsible for physical accomplishment of the withdrawal effort. As selected portions of real estate were turned over to the Government of the

Philippines (GOP), the remaining facilities would serve as support structures to conduct the next phase of the turnover. Once facility turnover commenced, entire areas of real estate would be relinquished and the security perimeter collapsed. Several housing areas, a communications center and the Naval Station were the first areas given to the Government of the GOP. This included most of the Naval Station infrastructure, the ship repair facility, the Public Works Center and many ship piers. Preceding the next perimeter collapse, the hospital was turned over. Final facilities turnover would occur at the **Cubi Point Naval Air Station** to include the Naval Magazines, the Naval Supply Depot warehouse compound, fuel farm, airfield, infrastructure and remaining ship piers.

Turnover of all the facilities at Subic, including Cubi Point, were elements of the original Strawman Plan. Only after implementation began did ADM Kelly get any indication that additional planning and action would be required to provide a "Hot Turnover" of the facilities at Cubi Point. The hot turnover was an amazing development designed between the two governments. From the United States' perspective, the hot turnover was an effort to establish a post-Subic U.S./Philippine government relationship on a firm footing. For the Philippine government, the hot turnover would be a first step in encouraging strong ties with the United States and would provide a cornerstone to the economic viability of the entire Subic area in general.

APPENDIX B

DEFINITIONS AND DISCUSSION:

1. **Air Surveillance Radar (ASR-8)** - ASR is designed to provide surveillance and separation control of aircraft approaching the field. ASR gives a two-dimensional air picture within 80NM of the field. It allows discrete target track and altitude throughout the approach environment. It also allows "non-precision" (azimuth only) instrument approaches through radar operator guidance to the aircraft. The ASR-8 is good for safety and future interoperability, but its high price precluded it from inclusion in the USCINCPAC "\$4M" package. Nonetheless, PAF strongly desired the ASR-8.

2. **Tactical Aid to Navigation (TACAN)** - The TACAN is a military navigation aid for non-precision approaches; gives azimuth (bearing) and distance in UHF/VHF spectrums, respectively.

3. **VOR-DME** - The civilian equivalent of the U.S. DOD "TACAN" NAVAID; a must for civilian non-precision approaches. As with the TACAN, VOR-DME gives azimuth and distance in UHF/VHF spectrums, respectively.

4. **Instrument Landing System (ILS)** - A far better choice for a precision approach. Unlike Precision Approach Radar (PAR), it needs no operators to guide the aircraft. It uses a single electronic unit to transmit azimuth/glide slope to the aircraft instrumentally. ILS is used by both the United States Air Force (USAF) and commercial aircraft. After turnover of Cubi, an ILS case could be arranged with the USAF for ILS procurement, since Cubi Point did not have ILS. Alternatively, and preferably, as future co-operator of Cubi, the Philippine Civil Aviation Administration could procure the ILS commercially along with the VOR-DME.

5. **Precision Approach Radar (PAR)** - This radar gives Cubi Point "precision" instrument approach capability (i.e. both azimuth and glide slope). PAR operators transmit this guidance to the aircraft via voice. PAR is both expensive (\$5.5M) and antiquated. It is very hard to support, and requires intensive specialized training for both operators and maintainers. Removing the PAR (GCA) would leave Cubi without "precision" instrument approach capability; however, if improperly maintained and operated, it can become a major safety concern. Nonetheless, the Philippine Air Force (PAF) considered its purchase, if low cost.

6. **Non-Directional Beacon (NDB)** - Transmits an omnidirectional "homing" signal; indication of the direction to the airfield is presented in aircraft instruments.

APPENDIX C

ACRONYMS

AFP	Armed Forces of the Philippines
BCDA	Bases Conversion Development Authority
DRMO	Defense Reutilization and Marketing Region
DSAA	Defense Security Assistance Agency
EDA	Excess Defense Articles
FAA	Foreign Assistance Act of 1961
FMS	Foreign Military Sales
GCA	Ground Control Approach
GOP	Government of the Philippines
IFR	Instrument Flight Rules
ILS	Instrument Landing System
LOA	Letter of Offer and Acceptance
MBA	Military Bases Agreement of 1947
MDB	Mutual Defense Board
MDT	Mutual Defense Treaty of 1952
MSC	Military Sealift Command
MTT	Mobile Training Team
NAVAIDS	Navigational Aids
NSD	Naval Supply Detachment
NDB	Non-Directional Beacon
PAF	Philippine Air Force
PAR	Precision Approach Radar
PATO	Philippine Air Traffic Organization
PDC	Program Definition Conference
SBMA	Subic Bay Metropolitan Authority
TACAN	Tactical Aid to Navigation
TPFDD	Time Phased Force Deployment Database
USAF	United States Air Force
USN	United States Navy
VFR	Visual Flight Rules

APPENDIX D

CHRONOLOGY OF EVENTS

The following chronology is a concise sequence of events of the Cubi Point turnover; the majority of data has been excerpted from point papers drafted by CAPT Gary Ikuma, CINCPACFLT Fleet Aviation Material Readiness Officer.

JANUARY

- Cubi closure team established to coordinate planning and execution
- Based on withdrawal plan, all NAS Cubi Pt equipment not on non-removable property list to be shipped out or turned over to DRMO as excess; NAS Cubi Pt to become uncontrolled, basic day and night VFR field

FEBRUARY

- Installation Restoration: Under 1947 MBA, base does not have to be returned to condition it was when first occupied
- American Embassy Manila requests USCINCPAC to consider turnover of NAS Cubi Pt as a functioning airfield

MARCH

- PAF interested in moving operations to NAS Cubi Pt
- GOP undecided on financing a military/commercial use mix
- CAPT Ikuma's three turnover options proposed to ADM Kelly and adopted by USCINCPAC for MDB talks

MAY

- Decision made to use FMS as vehicle for "hot turnover"
- Sale of non-excess equipment to provide a basic IFR-capable airfield (approx \$4 million plus admin fees = \$5 million total)
- GOP express clear intent for AFP use of airfield; American Embassy confirms GOP joint use decision for Cubi Pt

- AFP accepts Cubi Excess Defense Articles (EDA) under Section 519; items not wanted by AFP were purchased by GOP under "First Right to Acquire"
- GOP requests FMS purchases of other Subic/Cubi items "considered essential" to AFP modernization
- USCINCPAC FMS turnover plan balanced against AFP FMS plan
- The current plan being executed calls for all NAS Cubi Point equipment not on the non-removable property list to be shipped out or turned over to DRMO as excess (almost all major property supporting flight operations at NAS Cubi are not excess)
- At turnover (still projected to be Dec 92 at this point), Cubi will be at best an uncontrolled, basic day and night VFR field; material remaining will be:
 - operable taxi/runway/ramp lights
 - operable fuel farm
 - operable basic utilities (electric power, water, sewage, telephone switch)
- No radios, NAVAIDS, radars, wx forecasting equipment are scheduled to remain; although would further enhance field capabilities, equipment is NOT considered excess to Navy needs. These items can be purchased by the GOP at FULL REPLACEMENT costs.
- The following items have been declared excess (because of age, minimal value, obsolescence, etc.); field capabilities would be enhanced if the GOP acquired these items through FMS purchase (at greatly reduced cost) from DRMO under first option to acquire, or if the AFP receives it under Section 519, Foreign Assistance Act transfer:
 - meteorological equipment to provide basic aviation weather measuring capability (wind speed/direction, barometric pressure, temperature)
 - several fuel/tanker/crash and fire trucks/baggage carts
 - several utility vans/trucks/passenger vehicles
 - one large aircraft tow tractor
- GOP has yet to identify specific equipment (i.e., NAVAIDS, radars, support equipment, etc.) desired; neither have any training requirements been made known

JUNE

- President-elect Ramos sworn into office

JULY

- Program Definition Conference held from 20 July - 4 August 1992
- Withdrawal date moved up to 24 November, as recommended by RADM Mercer

AUGUST

- Equipment Transition Plan developed, which represents a mutual understanding of the actions and responsibilities required to successfully transfer selected equipment from NAS Cubi Pt to the PAF
- Letter of Intent signed by General Abadia and RADM Mercer, formalizing the "hot turnover" request
- Airfield will be fully IFR capable through 1 September

SEPTEMBER

- Commodore Delgado (AFP Joint Staff) signs Letter of Offer and Acceptance on 15 September to purchase NAS Cubi air traffic control/support equipment, training and technical assistance
- RADM Mercer concerned that sale/purchase may be illegal, since Mayor Gordon intends minimal (or NO) AFP presence at Subic/Cubi
- Airfield will be non-radar IFR, precision approach capable (NDB/TACAN/GCA) from 1 September through 15 October

OCTOBER

- Airfield will be non-radar IFR, non-precision approach capable (NDB/TACAN) from 15 October through 24 November
- Terms of LOA for AFP to take possession of equipment appear likely to be met
- Agreement on shared military/civilian use of Cubi Point meets United States requirements for FMS sale of \$4.8 million US of equipment, spares and training
- AFP personnel (military and civilian) are being provided OJT on FMS and Section 519 (excess) equipment; OJT proceeding well
- equipment to be transferred will remain under U.S. control until turnover

- Hot refueling pits are closed; fueling is by trucks only
- Airfield services (fueling, flight line, tower, crash/rescue, etc.) will remain under U.S. supervision until turnover

NOVEMBER

- FMS credits have transferred and the AFP effectively owns the airfield equipment
- All 519 property inventoried and turned over to AFP
- Remaining excess equipment has been purchased in place by SBMA
- Remaining non-excess property is staged at NSD to be loaded in MSC ships
- Turnover ceremony conducted on 24 November 1992

APPENDIX E

SUPPORTING DOCUMENTS

Documents reviewed during study of United States Forces Withdrawal and "Hot Turnover" issues.

<u>DATE/CORRESPONDENCE</u>	<u>SUBJECT/TITLE</u>	<u>AUTHOR/ORIGINATOR</u>
30Mar92 Point Paper	NAS Cubi Point Hot Turnover.	CAPT G. Ikuma
071830APR92 MSG	NAS Cubi Point Turnover.	CINCPACFLT
180104MAY92 MSG	Cubi Closure Sitrep 11.	COMFAIRWESTPAC
7May92 Point Paper	NAS Cubi Point Hot Turnover.	CAPT G. Ikuma
14May92 Point Paper	NAS Cubi Point Hot Turnover Update.	CAPT G. Ikuma
18May92 LTR	Joint Civil/Military Utilization and Maintenance of Cubi Naval Air Station.	General Abadia
180916MAY92 MSG	Philippine Diplo- matic Note on Excess Property.	AMEMBASSY, MANILA
1Jun92 Memo	HASC Letter in Response to Philippines EDA Notification.	DSAA
2Jun92 Point Paper	NAS Cubi Point Hot Turnover Update.	CAPT G. Ikuma
10Jun92 LOA	1992 Letter of Offer and Acceptance for non-excess Cubi Point equipment.	RADM J.W. Snyder Navy Internat'l Programs Office Commodore Delgado AFP Joint Staff

310905JUL92 MSG	Program Definition Conference.	NAS CUBI PT RP
31Jul92 Point Paper	NAS Cubi Point Hot Turnover Update.	CAPT G. Ikuma
100003AUG92 MSG	Cubi Air Ops Progress Report as of 5 Aug 92.	NAS CUBI PT RP
241930AUG92 MSG	Philippine Withdrawal Sitrep Eight.	CINCPACFLT
10Oct92 Point Paper	Legal Issues WRT Cubi Point FMS Case.	CDR Luzynski
15Oct92 Point Paper	Status of NAS Cubi Point Hot Turnover.	CAPT G. Ikuma
17Oct92 MOA	1988 Memorandum of Agreement on U.S. Facilities in the Philippines.	Foreign Secretary R.S. Manglapus Sec. of State G.P. Schultz
300550OCT92 MSG	Closure of NAS Cubi Point.	CINCPACFLT
19Nov92 Memo	NAS Cubi Point Update.	NAVAIR

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